

# Fiscal Note

*Fiscal Services Division*



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**HF 650** – Mental Health Property Tax Levy (LSB2688HV)

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Fiscal Note Version – New

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## **Description**

[House File 650](#) revises the county mental health and disability services (MHDS) property tax levy by equalizing the taxes that can be levied in each county on a regional basis and setting a maximum per capita amount that can be levied across the entire region. The new regional per capita cap is set by adding the sum of the maximum amount each county in the region would be able to levy for FY 2018 under current law and dividing that by the region's general population. Counties then multiply the new regional cap by their populations to get the new county cap. The regional caps are limited statewide to \$47.28 per capita.

The Bill also requires counties to spend down fund balances in excess of 25.0%. Beginning in FY 2018, counties have three years to spend down fund balances on services required in their regional management plans. Beginning in FY 2022, counties are limited to a fund balance reserved for cash flow of 20.0% of gross expenditures if the region has a population equal to or greater than 100,000, or 25.0% of gross expenditures if the region has a population of under 100,000. Counties will be required to reduce their levies by any dollar amount in excess of the cash flow amount.

For FY 2018 through FY 2020, the Bill requires the Broadlawns Medical Center Board of Trustees to transfer \$2.8 million to the Polk County Board of Supervisors to deposit in the county MHDS fund. In addition, Broadlawns Medical Center is required to donate \$3.5 million worth of services to Polk County MHDS.

The Bill requests that the Legislative Council authorize a Study Committee to analyze the viability of the levy caps in this Bill. The Study Committee is to meet during the 2018 Legislative Interim and submit a report to the General Assembly by January 15, 2019.

The Bill requires the Department of Human Services (DHS) to convene a stakeholder workgroup to make recommendations relating to the delivery of, access to, and coordination and continuity of mental health, disability, and substance use disorder services. The workgroup is required to submit a report with recommendations to the Governor and General Assembly by December 15, 2017. In addition, the Bill requires the regional administrators for the MHDS regions to convene a stakeholder workgroup to create collaborative policies and processes relating to the delivery of, access to, and continuity of services for individuals with complex mental health, disability, and substance use disorder needs.

## **Background**

In 1995, the General Assembly enacted [SF 69](#) (Property and Income Tax Act) that changed the way the county MHDS system was funded and how the county mental health property tax was levied. Unlike other property tax levies that are calculated based on a dollar rate per \$1,000 of property valuation, the county MHDS levy was capped at a dollar amount. Counties were then allowed to choose to lock in their FY 1994 actual expenditures or their FY 1996 net expenditures as their new levy dollar cap. After FY 1996, with no option to increase the county

levy and no growth in the rate due to increased property value, the State became responsible for funding all new growth in the system. As a result of the dollar limit freeze, county property tax rates for the levy declined between 1996 and 2016 as property valuations increased. When counties locked in levy rates in 1995, there was significant variation between county levies, and with the growth and shift in population since 1996, those variations have only increased.

In 2012, [SF 2315](#) (Adult Disability Services Redesign Act) created a new mental health property tax levy that began July 1, 2013. The old formula was eliminated and replaced with a new formula that distributed funding on a per capita basis. The new levy has a cap of \$125.8 million, the same dollar amount as the previous levy; however, it is converted to a county per capita dollar amount based on general population with a new dollar target of \$47.28 per capita. In any fiscal year that a county base year levy cap is less than the per capita dollar amount, the legislation provides for an equalization payment to make up the difference and bring a county to \$47.28 per capita. If a county currently levies more than the per capita amount, it will be required to reduce its levy to the per capita rate of \$47.28. The State provided equalization funding for counties that levied less than \$47.28 for two fiscal years, FY 2014 and FY 2015, but continues to require counties levying more than \$47.28 per capita to reduce their levies to that amount. The per capita levy formula is set to sunset at the end of FY 2018, and counties that were required to reduce their levies based on the \$47.28 cap will be able to levy up to the \$125.8 million statewide total. Senate File 2315 also shifted the county mental health system to a regional system, creating 14 mental health regions. Most regions pool their levies, creating a funding challenge for those counties with a low per capita levy rate due to inequity.

### **Assumptions**

- The fiscal impact below demonstrates the maximum amount that counties are allowed to levy under the Bill. The estimates may vary greatly from actual amounts because counties may not need to levy up to their limits to fund services in the region. Counties levied \$87.9 million in FY 2017.
- The new regional per capita cap is set by adding the sum of the maximum amount each county in the region would be able to levy for FY 2018 under current law and dividing that by the region's general population.
- Population estimates used to calculate the levy caps for FY 2019 through FY 2022 are based on CY 2010 to CY 2015 trends.
- It is projected that counties will have \$111.4 million in ending fund balances at the end of FY 2017 and counties are required to reduce that fund balance to 25.0% of gross budgeted expenditures (\$27.3 million).
- County fund balances will also be required to be reduced to 25.0% of estimated gross expenditures beginning in FY 2018, with counties allowed to reserve funds in excess of 25.0% to fund services approved under the regional service system management plan.
- Counties with a population of 100,000 or over are limited to a fund balance of 20.0% of estimated gross expenditures beginning in FY 2022, while counties below 100,000 in population will be allowed to maintain a 25.0% fund balance.

### **Fiscal Impact**

House File 650 allows counties to levy an additional \$2.2 million in FY 2018 and \$2.7 million in FY 2019, which includes the transfer of property tax dollars from Broadlawns Medical Center. Those increases will be offset by property tax reductions as counties reduce their levies and spend down fund balances. Due to the three-year time frame counties have to spend down those funds on approved services, the Legislative Services Agency (LSA) is not able to estimate the dollars that will be dedicated to property tax reduction.

	HF 650 – Estimate of Maximum Levies			
	FY 2017	FY 2018	FY 2019	FY 2020
Maximum MHDS County Levy	\$ 114,649,218	\$ 114,596,197	\$ 115,078,722	\$ 115,573,521
Maximum Broadlawns Transfer	4,000,000	6,300,000	6,300,000	6,300,000
<b>Total</b>	<b>\$ 118,649,218</b>	<b>\$ 120,896,197</b>	<b>\$ 121,378,722</b>	<b>\$ 121,873,521</b>

With the equalization of levies between counties within regions, 59 counties will be required to reduce their property tax levies by \$8.6 million and 40 counties will be given additional levy authority to increase their property taxes by \$8.6 million. All other increases and decreases in the levy are related to changes in estimated population for a county. For additional information on each county and region, please see **Attachment A**.

### **Sources**

LSA analysis  
Department of Human Services

/s/ Holly M. Lyons

April 17, 2017

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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HF 650 - Projected Impact on Maximum County Levies

Attachment A

Region	County	2015 Population	FY 2017 Actual Levy	Current Law FY 2018 Max Levy	2018 Max Per Capita Rate	Estimated FY 2018 Levy	Estimated FY 2018 Max Rate	Current Law FY 2018 vs Est. FY 2018	Estimated FY 2019 Levy	Estimated FY 2020 Levy
Central Iowa	BOONE	26,643	\$ 597,386	\$ 878,976	\$ 32.99	\$ 945,844	\$ 35.50	\$ 66,868	\$ 947,122	\$ 948,400
Central Iowa	FRANKLIN	10,295	235,851	358,934	34.86	365,479	35.50	6,545	363,172	360,864
Central Iowa	HAMILTON	15,190	341,641	718,183	47.28	539,255	35.50	-178,928	535,244	531,268
Central Iowa	HARDIN	17,367	396,270	821,112	47.28	616,540	35.50	-204,572	615,085	613,629
Central Iowa	JASPER	36,827	833,311	1,741,181	47.28	1,307,383	35.50	-433,797	1,307,845	1,308,306
Central Iowa	MADISON	15,753	352,764	534,189	33.91	559,242	35.50	25,053	558,177	557,112
Central Iowa	MARSHALL	40,746	923,575	1,926,471	47.28	1,446,510	35.50	-479,960	1,448,321	1,450,131
Central Iowa	POWESHIEK	18,550	421,901	444,227	23.95	658,537	35.50	214,310	656,727	654,952
Central Iowa	STORY	96,021	2,126,039	3,066,575	31.94	3,408,810	35.50	342,235	3,462,913	3,517,868
Central Iowa	WARREN	48,626	1,084,012	1,084,011	22.29	1,726,256	35.50	642,245	1,741,379	1,756,644
CSS	ALLAMAKEE	13,886	401,767	656,530	47.28	606,072	43.65	-50,458	603,017	599,962
CSS	BLACK HAWK	133,455	4,632,563	5,779,837	43.31	5,824,812	43.65	44,975	5,846,330	5,867,935
CSS	BUTLER	14,915	389,898	389,899	26.14	650,984	43.65	261,085	651,726	652,468
CSS	CERRO GORDO	43,017	1,521,681	2,033,844	47.28	1,877,531	43.65	-156,312	1,867,842	1,858,196
CSS	CHICKASAW	12,097	394,433	571,946	47.28	527,989	43.65	-43,957	525,545	523,100
CSS	CLAYTON	17,644	622,408	834,208	47.28	770,095	43.65	-64,114	766,036	761,976
CSS	EMMET	9,769	351,449	461,878	47.28	426,380	43.65	-35,498	422,016	417,695
CSS	FAYETTE	20,257	704,905	773,024	38.16	884,142	43.65	111,118	878,948	873,798
CSS	FLOYD	15,960	565,590	610,064	38.22	696,594	43.65	86,530	693,670	690,746
CSS	GRUNDY	12,435	435,350	530,188	42.64	542,741	43.65	12,553	541,868	540,995
CSS	HANCOCK	10,974	386,442	518,851	47.28	478,974	43.65	-39,877	475,570	472,165
CSS	HOWARD	9,410	332,415	364,201	38.70	410,711	43.65	46,510	409,446	408,180
CSS	HUMBOLDT	9,555	339,136	451,760	47.28	417,040	43.65	-34,720	415,163	413,330
CSS	KOSSUTH	15,165	416,035	717,001	47.28	661,896	43.65	-55,106	658,666	655,436
CSS	MITCHELL	10,832	379,202	512,137	47.28	472,776	43.65	-39,361	472,602	472,427
CSS	POCAHONTAS	7,008	251,119	331,338	47.28	305,873	43.65	-25,465	304,258	302,643
CSS	TAMA	17,337	568,797	568,799	32.81	756,695	43.65	187,896	753,160	749,625
CSS	WEBSTER	37,071	1,234,103	1,752,717	47.28	1,618,011	43.65	-134,706	1,609,150	1,600,334
CSS	WINNEBAGO	10,609	371,468	433,910	40.90	463,043	43.65	29,133	460,555	458,068
CSS	WINNESHIEK	20,709	730,615	979,122	47.28	903,870	43.65	-75,251	900,466	897,105
CSS	WORTH	7,569	258,528	357,862	47.28	330,359	43.65	-27,504	330,620	330,882
CSS	WRIGHT	12,773	456,354	554,967	43.45	557,494	43.65	2,527	554,046	550,598

HF 650 - Projected Impact on Maximum County Levies

Attachment A

Region	County	2015 Population	FY 2017 Actual Levy	Current Law FY 2018 Max Levy	2018 Max Per Capita Rate	Estimated FY 2018 Levy	Estimated FY 2018 Max Rate	Current Law FY 2018 vs Est. FY 2018	Estimated FY 2019 Levy	Estimated FY 2020 Levy
East Central	BENTON	25,658	855,041	908,642	35.41	936,882	36.51	28,240	933,303	929,725
East Central	BREMER	24,722	907,751	1,168,856	47.28	902,704	36.51	-266,152	905,589	908,473
East Central	BUCHANAN	21,062	769,677	995,811	47.28	769,062	36.51	-226,749	770,231	771,399
East Central	DELAWARE	17,403	658,688	822,814	47.28	635,457	36.51	-187,357	632,280	629,140
East Central	DUBUQUE	97,125	1,773,786	4,592,070	47.28	3,546,442	36.51	-1,045,628	3,571,308	3,596,357
East Central	IOWA	16,401	729,234	729,235	44.46	598,870	36.51	-130,365	599,381	599,892
East Central	JOHNSON	144,251	3,138,387	3,138,395	21.76	5,267,211	36.51	2,128,816	5,375,475	5,485,967
East Central	JONES	20,466	483,021	883,021	43.15	747,300	36.51	-135,721	745,657	744,050
East Central	LINN	219,916	7,995,862	8,195,141	37.26	8,030,058	36.51	-165,083	8,087,714	8,145,808
Eastern	CEDAR	18,340	870,467	867,115	47.28	564,451	30.78	-302,664	563,620	562,789
Eastern	CLINTON	47,768	1,758,115	2,258,471	47.28	1,470,159	30.78	-788,312	1,461,233	1,452,369
Eastern	JACKSON	19,444	787,141	787,145	40.48	598,429	30.78	-188,716	595,628	592,828
Eastern	MUSCATINE	43,011	2,028,455	2,033,560	47.28	1,323,752	30.78	-709,808	1,325,322	1,326,891
Eastern	SCOTT	172,126	3,308,029	3,308,032	19.22	5,297,532	30.78	1,989,500	5,342,467	5,387,771
Heart of Iowa	AUDUBON	5,773	114,243	272,947	47.28	149,180	25.84	-123,767	147,216	145,278
Heart of Iowa	DALLAS	80,133	1,524,559	1,524,538	19.03	2,070,718	25.84	546,180	2,150,050	2,232,405
Heart of Iowa	GREENE	9,027	181,239	426,797	47.28	233,267	25.84	-193,530	232,362	231,458
Heart of Iowa	GUTHRIE	10,676	211,226	504,761	47.28	275,879	25.84	-228,883	274,380	272,881
Northwest	CLAY	16,507	402,870	402,866	24.41	500,083	30.30	97,217	499,235	498,387
Northwest	DICKINSON	17,111	412,504	412,509	24.11	518,381	30.30	105,872	520,411	522,441
Northwest	LYON	11,745	248,114	248,113	21.12	355,817	30.30	107,704	356,817	357,817
Northwest	O'BRIEN	13,984	570,534	570,532	40.80	423,648	30.30	-146,884	421,194	418,771
Northwest	OSCEOLA	6,154	195,223	195,225	31.72	186,437	30.30	-8,788	184,619	182,832
Northwest	PALO ALTO	9,133	193,265	431,808	47.28	276,686	30.30	-155,122	274,535	272,415
Polk	POLK	467,711	14,439,237	14,439,175	30.87	14,439,175	30.87	0	14,668,122	14,900,711
Rolling Hills	BUENA VISTA	20,493	669,514	669,512	32.67	876,877	42.79	207,365	880,728	884,579
Rolling Hills	CALHOUN	9,818	301,332	431,560	43.96	420,103	42.79	-11,457	416,809	413,557
Rolling Hills	CARROLL	20,498	0	969,145	47.28	877,091	42.79	-92,054	874,182	871,315
Rolling Hills	CHEROKEE	11,574	223,907	477,158	41.23	495,241	42.79	18,083	492,203	489,208
Rolling Hills	CRAWFORD	17,094	499,997	808,204	47.28	731,437	42.79	-76,767	731,908	732,378
Rolling Hills	IDA	7,028	188,736	300,889	42.81	300,722	42.79	-167	300,251	299,781
Rolling Hills	SAC	10,021	202,267	473,793	47.28	428,790	42.79	-45,003	425,580	422,371
Rural	CLARKE	9,259	430,557	430,559	46.50	362,325	39.13	-68,234	361,464	360,604
Rural	DECATUR	8,220	321,858	321,858	39.16	321,667	39.13	-191	320,102	318,536
Rural	LUCAS	8,682	411,382	410,485	47.28	339,746	39.13	-70,739	337,633	335,520
Rural	MARION	33,294	1,089,903	1,089,896	32.74	1,302,869	39.13	212,973	1,303,143	1,303,417
Rural	MONROE	7,973	340,279	340,278	42.68	312,001	39.13	-28,277	311,806	311,610
Rural	RINGGOLD	5,068	238,811	239,615	47.28	198,322	39.13	-41,293	197,461	196,600
Rural	WAYNE	6,385	254,098	254,099	39.80	249,859	39.13	-4,240	249,742	249,625

HF 650 - Projected Impact on Maximum County Levies

Attachment A

Region	County	2015 Population	FY 2017 Actual Levy	Current Law FY 2018 Max Levy	2018 Max Per Capita Rate	Estimated FY 2018 Levy	Estimated FY 2018 Max Rate	Current Law FY 2018 vs Est. FY 2018	Estimated FY 2019 Levy	Estimated FY 2020 Levy
Sioux River	PLYMOUTH	24,800	363,774	363,771	14.67	756,158	30.49	392,387	755,274	754,390
Sioux River	SIOUX	34,937	902,371	1,027,388	29.41	1,065,238	30.49	37,850	1,072,799	1,080,422
Sioux River	WOODBURY	102,782	2,851,875	3,564,086	34.68	3,133,849	30.49	-430,237	3,134,794	3,135,739
South Central	APPANOOSE	12,529	444,219	592,371	47.28	592,371	47.28	0	589,676	587,028
South Central	DAVIS	8,769	307,684	414,598	47.28	414,598	47.28	0	414,362	414,126
South Central	MAHASKA	22,324	784,600	1,055,479	47.28	1,055,479	47.28	0	1,054,770	1,054,060
South Central	WAPELLO	35,173	1,232,417	1,662,979	47.28	1,662,979	47.28	0	1,658,251	1,653,523
Southeast	DES MOINES	40,055	848,031	1,751,030	43.72	1,706,263	42.60	-44,767	1,705,794	1,705,326
Southeast	HENRY	19,950	0	846,381	42.43	849,830	42.60	3,449	848,254	846,678
Southeast	JEFFERSON	17,555	607,296	607,300	34.59	747,808	42.60	140,508	755,050	762,376
Southeast	KEOKUK	10,163	143,218	480,507	47.28	432,923	42.60	-47,583	430,069	427,258
Southeast	LEE	35,089	705,723	1,659,008	47.28	1,494,721	42.60	-164,287	1,488,161	1,481,601
Southeast	LOUISA	11,185	199,997	528,827	47.28	476,459	42.60	-52,368	474,499	472,540
Southeast	VAN BUREN	7,344	150,000	314,328	42.80	312,840	42.60	-1,488	311,349	309,858
Southeast	WASHINGTON	22,247	172,589	781,141	35.11	947,678	42.60	166,537	951,895	956,155
Southern Hills	ADAIR	7,228	251,564	309,066	42.76	296,543	41.03	-12,523	294,123	291,702
Southern Hills	ADAMS	3,796	153,311	179,475	47.28	155,739	41.03	-23,736	154,221	152,703
Southern Hills	TAYLOR	6,205	95,510	140,346	22.62	254,573	41.03	114,227	252,891	251,209
Southern Hills	UNION	12,469	495,158	589,534	47.28	511,566	41.03	-77,968	512,674	513,782
Southwest	CASS	13,427	312,758	634,829	47.28	611,001	45.51	-23,828	605,312	599,670
Southwest	FREMONT	6,906	161,508	326,516	47.28	314,260	45.51	-12,256	310,074	305,933
Southwest	HARRISON	14,265	329,450	674,449	47.28	649,134	45.51	-25,315	642,627	636,210
Southwest	MILLS	14,844	341,115	609,781	41.08	675,482	45.51	65,701	672,069	668,701
Southwest	MONONA	8,979	206,905	375,993	41.87	408,593	45.51	32,600	405,771	402,950
Southwest	MONTGOMERY	10,234	239,686	369,740	36.13	465,702	45.51	95,962	462,790	459,923
Southwest	PAGE	15,527	356,408	652,027	41.99	706,562	45.51	54,535	702,102	697,688
Southwest	POTTAWATTAMIE	93,671	2,141,937	4,428,765	47.28	4,262,533	45.51	-166,232	4,260,713	4,258,892
Southwest	SHELBY	11,927	274,800	563,909	47.28	542,742	45.51	-21,166	540,513	538,283
<b>Total</b>		<b>3,123,899</b>	<b>\$ 87,860,225</b>	<b>\$114,596,197</b>		<b>\$ 114,596,197</b>		<b>\$0</b>	<b>\$ 115,078,722</b>	<b>\$ 115,573,521</b>